NOHFC Business Plan

2015/16 through 2017/18

October 2014

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1. NOHFC'S MANDATE

The Northern Ontario Heritage Fund Corporation (NOHFC) is an operational service agency established under the enabling legislation of the *Northern Ontario Heritage Fund Act*. The NOHFC has an appointed Board of Directors, chaired by the Minister of Northern Development and Mines. NOHFC's objectives are set out in the *Northern Ontario Heritage Fund Act* as follows:

(a) to advise and make recommendations to the Lieutenant Governor in Council on any matter relating to the growth and diversification of the economy of Northern Ontario;
(b) to promote and stimulate economic initiatives in Northern Ontario; and
(c) to commission studies and enter into contracts in connection with the objects set out in clauses (a) and (b) above.

NOHFC was created in 1988. Initially, its annual funding of $30 million was directed primarily to individual businesses through loans, grants and a combination thereof. NOHFC is to provide additional government funding for Northern Ontario but not displace or replace government programming.

In 1996, NOHFC's mandate was directed toward infrastructure and community development opportunities, and away from direct assistance to individual businesses. Individual private sector enterprises were no longer eligible to apply for NOHFC financial assistance and its clients at that time consisted of municipalities, First Nations, health providers, postsecondary institutions, not-for-profit organizations, Local Services Boards and private sector clients in partnership with public sector clients. In 2000, NOHFC's annual budget was increased to $60 million.

In October 2004, the NOHFC received government approval for a refocused mandate under the following themes: Growing Jobs; Youth; Community Development; Energy Conservation; Emerging Technologies and Telecommunications. Individual businesses were once more eligible to apply for financial assistance.

The 2008 Budget committed to increase annual provincial funding to the NOHFC from $60 million to $70 million in 2008-09, $80 million in 2009-10, $90 million in 2010-11 and $100 million in 2011-12 and onwards. The 2012 Ontario budget stated that funding to the NOHFC would be enhanced to $110 million but no timetable was provided for the increase.

To ensure maximum returns on the investment of public funds, the NOHFC continuously reviews its program structure to ensure investments are tailored to the needs of those sectors deemed to be of highest strategic importance.

A comprehensive program review was undertaken in 2012. The review was undertaken in context of the Growth Plan for Northern Ontario 2011 (Growth Plan) and relevant government priorities.

In August 2013, government approved the mandate of the Northern Ontario Heritage Fund Corporation (NOHFC) be once again refocused to support the Growth Plan and the government's key priorities of prosperity for people and strong communities.

The revised general program themes are:

- Strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry – Northern Business Opportunity Program
- Innovation and productivity to support research and development, commercialization, innovation and productivity initiatives – Northern Innovation Program
- Community strategic economic infrastructure – Strategic Economic Infrastructure Program
- Economic development capacity enhancement - Northern Community Capacity-Building Program
- Attraction and retention of talent – Northern Ontario Internship Program

2. STRATEGIC PLAN

The NOHFC developed its strategic plan in 2009 in consultation with the NOHFC Board of Directors and the staff of NOHFC and the Ministry of Northern Development and Mines (MNDM). Reviewed annually by the NOHFC Board, the plan sets out the strategic framework of the NOHFC including its Vision, Mission, Guiding Principles and five Strategic Priority areas for the next three to five years. A review was undertaken in August 2014 which identified new strategies to be pursued in the next fiscal year in support of the Corporations existing strategies.

2.1 Vision

NOHFC will be a catalyst for key strategic investments to stimulate economic transformation and development to Northern Ontario.

2.2 Mission

To partner with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the economy.

2.3 Guiding Principles

Alignment with Key Initiatives – The Growth Plan will provide a coordinated, long-term, and comprehensive approach to support Northern Ontario as a globally competitive region. NOHFC priorities will support the key elements of the Growth Plan.

Recognition of Northern Ontario's Unique Circumstances – The programs and initiatives of NOHFC will continue to be an important means of recognizing the unique requirements of Northern Ontario in support of a strong Ontario. The NOHFC will continue to build and enhance its current programs and services.

Adaptability – The strategic planning process is an ongoing process that will provide the NOHFC with a management tool for adapting to change in the future.

Reflective, Flexible, and Forward-Thinking – It is the intent that the NOHFC Board of Directors will review the strategic plan, at minimum, on an annual basis.

Inclusiveness - NOHFC will continue to develop and deliver its programs and initiatives in a manner that recognizes the needs of the North's diverse communities including, but not limited to, First Nations, Métis, Inuit, and the North's other demographic groups.

2.4 Strategic Priorities

Innovation, Research and Development, and Commercialization – Focus on innovation, and research and development initiatives that lead to the potential commercialization of ideas, products, and services in emerging and strategic sectors in Northern Ontario that are forward thinking, sustainable and build economic diversity.

Creativity and Entrepreneurial Development – Promote creativity and entrepreneurial development to assist northern stakeholders in the new economy.

Partnerships and Collaboration – Maximize opportunities to leverage NOHFC funding through partnerships and collaboration with and between stakeholders and funding agencies to ensure the success of projects and sustainable economic outcomes for the long-term.

Organization Development and Renewal – Engage in an exercise of continuous improvement and human resource development to improve the quality, access and delivery of NOHFC programs and services.

Awareness and Recognition – Develop effective marketing, communication, and outreach tools that increase awareness and recognition of NOHFC and its programs to those stakeholders who are not familiar with NOHFC (e.g. First Nations, new emerging industry sectors).

3. OVERVIEW OF NOHFC'S CURRENT PROGRAMS/ACTIVITIES

As outlined in the NOHFC's strategic plan, the Corporation's mission is to partner with communities, businesses, entrepreneurs across Northern Ontario to create jobs and strengthen the economy. In the fall of 2013, the NOHFC introduced five new programs targeted toward the Growth Plan and maintaining the Corporation's mission. These programs are as follows:

3.1 NOHFC Programs

Strategic Economic Infrastructure Program

Efficient and modern infrastructure is a cornerstone of building a strong northern economy. The assistance levered by this program can make the difference for a region or community to advance economic development opportunities and support investment through strategic economic infrastructure.

Northern Community Capacity Building Program

The Community Capacity-Building Program (CCBP) is intended to advance policies identified in the Growth Plan. The objective of the CCBP is to assist northern communities in developing the capacity to promote, attract, and support economic growth in the existing and emerging priority economic sectors identified in the Growth Plan.

Capacity-building will allow northern communities to respond to their economic opportunities and challenges according to their individual priorities, and to pursue regional collaboration to advance common goals in order to strengthen Northern Ontario's competitive advantages.

Northern Innovation Program

The Northern Innovation Program supports the vision of the Growth Plan by supporting the development and commercialization of new technologies that will contribute to future prosperity in Northern Ontario and by fostering collaboration and partnering among the private sector, academic institutions and research institutes to undertake such projects in Northern Ontario.

Northern Business Opportunity Program

The Northern Business Opportunity Program supports the Growth Plan vision for Northern Ontario in which companies scan the world for opportunities to create or retain jobs, attract investment and serve global markets.

The objectives of this program are:

- Create jobs in Northern Ontario
- Encourage the North's private sector to invest in their businesses
- Attract new investment opportunities to Northern Ontario

- Increase the number of businesses exporting their product or service to markets outside of Northern Ontario
- Grow the film and television industry in Northern Ontario

Northern Ontario Internship Program

The intent of this program is to strengthen Northern Ontario's competitive advantage and build economic development capacity by attracting and retaining graduates in the North. The program will provide internship opportunities for recent graduates interested in launching and building their careers in Northern Ontario.

Managing Demand on the NOHFC Fund

The NOHFC has historically experienced continued demand for funding assistance, placing pressure on the Corporation's ability to support all of the priority projects seeking assistance. To manage these pressures, the NOHFC utilizes various measures and tools to manage demand and assist the Board of directors in making funding decisions. These measures and tools include, but are not limited to; ensuring client projects are at the implementation stage before committing NOHFC funding, increasing efforts to rescind outstanding commitments toward projects that do not appear to be advancing, setting application maximum amounts (while recognizing significant and regional initiatives for special consideration), establishing notional budgets for programs and other decision support tools to assist in identifying priority projects.

Program Budgets

Based on historical trends and strategic priorities, the following notional allocation per program will be set as follows:

Theme	Program	Estimated Notional Program Budget
Implement strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry in Northern Ontario	Northern Business Opportunity Program	$45M
Stimulate innovation and productivity to support R&D, commercialization, innovation and productivity initiatives	Innovation Program	$10M
Support community infrastructure	Strategic Infrastructure Program	$35M
Enhance economic development capacity in Northern Ontario	Northern Community Capacity-Building Program	$5M
Attract and retain talent to Northern Ontario	Northern Ontario Internship Program	$5M
	Total	$100M

The notional budgets will be continuously reviewed and set by the NOHFC Board of Directors through the annual strategic plan review and business planning sessions.

Project Approvals

- Approval of NOHFC funding for a project will be assessed primarily based on the creation and retention of full time job(s) in Northern Ontario.
- A proposed project should not unfairly compete with other Northern Ontario businesses.
- A proposed project should result in net economic benefits for Northern Ontario.
- All eligible private sector applications will undergo due diligence by an outside service provider with the proven capacity to undertake the required due diligence.

- The maximum contribution by the NOHFC to any one project generally will not exceed $1 million. (NOHFC Board has authority to approve up to $5 million).
- The interest rate on the loan will be based on the credit risk of the applicant.

3.2 Performance Measures – New Programs

3.2.1 Key External Performance Measures

Number of Full Time Jobs Being Created/Retained

Year	Target
2015-16	3,500
2016-17	3,500
2017-18	3,500

The revised NOHFC funding programs will remain focused on job creation. As such, NOHFC will provide funding to projects in Northern Ontario that result in the creation and/or retention of jobs.

NOHFC Investment Dollars Leveraged From Other Partners

Year	Target
2015-16	3:1
2016-17	3:1
2017-18	3:1

Funding provided by NOHFC to projects and/or initiatives in Northern Ontario will leverage external funding. This increase in investment through leverage of funding by NOHFC will provide opportunities to create jobs in a broad range of economic sectors in Northern Ontario.

3.2.2 Non-Key Performance Measures

Number of First Nation Projects Approved

Year	Target
2015-16	40
2016-17	40
2017-18	40

The number of First Nation project approvals will be a measure of access and program effectiveness as well as participation in the northern economy for this client group.

Client Satisfaction

Year	Target
2015-16	90%
2016-17	90%
2017-18	90%

Client satisfaction with the NOHFC, its service delivery partners and its programs will be assessed on an annual basis and will measure the satisfaction of clients with the services they receive including staff effectiveness and timeliness of services delivered. Results will provide the NOHFC with feedback from clients to assist in its continuous improvement efforts.

3.2.3 Program Specific Non-Key Performance Measures

The following non-key performance measures have been developed for each new program as follows:

Strategic Economic Infrastructure Program

Objective:
To advance economic opportunities, support investment, and create jobs through strategic infrastructure.

Performance Measures:
1. Number of approved regional partnership projects
2. Number of regional partnerships that include a First Nation partner

Northern Community Capacity Building Program

Objective - Community Capacity Building Initiatives:
To promote the advancement and competitiveness of priority sectors by supporting northern communities during economic opportunities and challenges related to their capacity to promote, attract, and support economic growth.

Objective - Event Partnership:
To support events that promote economic development in Northern Ontario, including job creation and retention, investment attraction, tourism, and/or research and development / innovation conducive to productivity improvement in an eligible sector.

Performance Measures:
1. Number of regional partnership projects
2. Number of regional partnerships that include a First Nation partner
3. Number of major, new tourism events supported by the program
4. Number of attendees at supported events

Northern Business Opportunity Program

The Northern Business Opportunity Program supports companies in Northern Ontario to scan the world for opportunities to create or retain jobs, attract investment and serve global markets.

Objective - Business Expansion Projects:
To assist existing businesses in Ontario that intend to expand and or retain their operations within Northern Ontario to improve competitiveness, increase productivity, export, grow revenues and create jobs.

Objective - Small Business Start Ups:
To assist new businesses in Northern Ontario that intend to commence operations in the sectors identified in the Growth Plan.

Objective - New Investment Projects:
To assist competitive businesses that currently do not have a presence in Ontario expand operations to Northern Ontario and create jobs.

Objective - Film and Television Projects:
To increase film and television industry jobs and investment in Northern Ontario; increase the number of high quality, original film and television productions produced in Northern Ontario; and to effect the establishment of infrastructure to grow and support the industry.

Performance Measures:
1. Number of companies exporting their products and services outside of Ontario (#)
2. Revenue growth (% increase in sales)
3. Number of businesses that expanded their operations into Northern Ontario (#)
4. Total spending in Northern Ontario resulting from film/tv project activity ($)
5. Number of Northern Ontario residents employed by NOHFC funded film/tv projects (#)

Northern Innovation Program
The Northern Innovation Program supports the development and commercialization of new technologies that will contribute to future prosperity in Northern Ontario and by fostering collaboration and partnering with the private sector, academic institutions and research institutions.

Objective - Opportunity Assessment Projects:
To assist Northern Ontario businesses with identifying opportunities for new technology development projects.

Objective - Industrial Research Chairs:
To establish research capacity at Northern Ontario universities, colleges and research institutes that will lead to greater research opportunities.

Objective - Applied Research & Technology Development Projects:
To assist Northern Ontario businesses to undertake applied research or pre-commercialization activities required to further develop their new technologies and move them to market.

Objective - Pilot Demonstration & Commercialization Projects:
To assist Northern Ontario businesses with reducing the technical and financial risks associated with scaling up and demonstrating their new and innovative technologies and to support them as they ramp up for commercial production.

Performance Measures:
1. Number of assessment projects that transition into development projects (#)
2. Number of patent applications (#) made under an NOHFC funded project

Northern Ontario Internship Program

Objective:
Strengthen Northern Ontario's competitive advantage, talent, and build economic development capacity by attracting and retaining graduates in the North.

Performance Measures:
1. Number of interns hired by employer after completion of the internship
2. Number of interns hired by other Northern Ontario companies after completion of the internship

Performance Measurement.
- NOHFC would report results on an annual basis through MNDM. NOHFC, in the first year of operations for its new programs (launched October 2013), would report results on a quarterly basis.
- NOHFC as an operational service agency is required to table an Annual Report which includes information on performance, and must comply with all reporting requirements as outlined in the Agency Establishment and Accountability Directive.

Evaluation
- To ensure maximum returns on the investment of public funds, the NOHFC continuously reviews its program structure to ensure investments are tailored to the needs of those sectors deemed to be of highest strategic importance.
- The programs have a 4-year sunset as recommended in the *Commission on the Reform of Ontario's Public Services* report (Recommendation 11-15). The programs will be reviewed after the third year to determine their effectiveness in achieving their stated objectives and continued relevance.
- The findings of the program review would be utilized to assess how NOHFC should move forward in consideration of the following options:
  - Continue delivery of programs
  - Modify programs to address identified deficiencies
  - Develop revised programs

3.3 Delivery Mechanism

The new programs will be delivered utilizing NOHFC's and MNDM's existing staff complement, and third party due diligence service provider. Appropriate contracts and service agreements will be put in place and monitored as required. NOHFC management will continuously assess the need for new resources and report to the Board and Ministry as required.

- Public sector applications would be evaluated and monitored by MNDM Regional Economic Development Branch (REDB) field staff. Beginning in the 2014-15 fiscal year, the NOHFC will be doing a cost recovery to MNDM for services provided by REDB staff.
- Private sector applications would be evaluated and monitored by a third party service provider who would continue to provide project management services. The current contract is in effect until March 31, 2016. NOHFC will undertake a review of the contract and third party service in 2014-15 to provide direction to the NOHFC Board and Ministry to ensure future requirements are addressed.
- The NOHFC would continue to require services from MNDM, Ministry of Attorney General (MAG), Ministry of Government Services (MGS) and Lands Resource Cluster (LRC) on a continual and uninterrupted basis in order to successfully carry on the Corporation's activities.

Administrative processes:

Current administrative processes for project evaluation and portfolio management will continue to be practiced.

Project evaluation would include the following parameters:

- Review of application;
- Analysis of business case and financing requirements;
- Risk analysis;
- Credit analysis; and
- Preparation of analysis for project funding, level of financing, interest rate and provision of securities.

Portfolio management would include the following parameters:

- Review and recommend disbursements;
- Operate the loan accounting system;
- Collect loan payments;
- Follow up on arrears;
- Review and recommend changes to loan terms and conditions;
- Regular review of accounts/develop account management plans; and
- Manage "special accounts" (demanded loans).

Legal services will include:

- Develop template loan agreements and security documents;
- Develop legal procedures/policies; and
- Transactional advice, including with respect to collateral security.

NOHFC will continue to manage its own internal administration functions.

3.4 Other Financial Considerations

Financial Impact	Description
Impacts on other governments	The NOHFC will continue to complement federal government and/or municipal funding.
Impacts on other Ministries	The NOHFC will continue to complement funding provided by other Ministry programs, however, would not replace or displace other funding. NOHFC will act as the gap financier in some cases, and would follow the lead of the responsible Ministry.
Contingent liabilities	New approvals would have multi-year funding impacts. Spending authority requests would be submitted as part of the Ministry's Program Review, Renewal and Transformation Plan.

4. RESOURCES NEEDED TO MEET OBJECTIVES

4.1 Objectives

The day-to-day activities of NOHFC are guided by the following objectives:

1. To ensure a fair and thorough evaluation of project proposals submitted to the NOHFC. All proposals will be assessed based upon project merits, the Corporation's mandate and program guidelines.

    - This was achieved to date in 2014-15 by NOHFC reviewing all applications received by the Corporation for initial program eligibility and then due diligence being performed on potentially eligible applications by a third party due diligence provider and MNDM's Regional Economic Development Branch (REDB).

2. To ensure an open and honest dialogue with proponents regarding their project assessments, and work with proponents to advise them on their submissions.

    - This was achieved to date in 2014-15 by NOHFC with the assistance of a third party due diligence provider and MNDM's REDB. All NOHFC applicants were contacted as part of their project assessments and then all applicants being advised in writing of the results of their submissions. In addition, NOHFC has an appeal process that applicants can initiate if they are declined by the Corporation.

3. To monitor activities underway in relation to approved projects and to adhere to the terms of the funding contract associated with each project.

    - This was achieved to date in 2014-15 by NOHFC with the assistance of a third party due diligence provider and MNDM's REDB who monitor the Corporation's projects`, and by MNDM's Legal Services Branch that provides legal advice to the Corporation regarding proponent's adherence to contractual obligations.

4. To maintain a comprehensive database of funded projects, both past and present, and use that database to report on current activities and for future planning purposes.

    - This was achieved to date in 2014-15 by NOHFC utilizing the NOHFC FUNDS Database with the assistance of LRC Business Solutions Services.

5. To manage NOHFC's financial affairs in compliance with the Agency Establishment and Accountability Directive and other policies such as the Government's Costing and Pricing Policy.

    - Compliance with the Agency Establishment and Accountability Directive was achieved to date in 2014-15. All forms, legal agreements, applications, and approval processes were enhanced to ensure compliance with the Directive.

- In 2014-15, the Ministry will implement an REDB cost recovery for services rendered to the NOHFC. Government Costing and Pricing Policy states that "ministries and agencies must maintain relevant costing information in their financial accounting systems to help support rational decision-making and ensure and improve accountability and performance". The Costing and Pricing Guideline further specifies that "all costs must be accurately attributed to the activity under consideration". This should be done in a way that neither overstates nor understates the cost of delivering the program or the results of operations.

6. To meet the Corporation's performance measures each year.

   - NOHFC's achievements with respect to the Corporation's performance measures in 2013-14 and to date in 2014-15 are outlined in Section 7 of this Business Plan.

7. To cooperate with other government agencies, departments and ministries in supporting economic development and quality of life initiatives directed at or affecting Northern Ontario businesses and residents.

   - This was achieved to date in 2014-15 by NOHFC financially partnering with other government agencies; departments and ministries in funding projects in Northern Ontario as demonstrated by the NOHFC achieving the target leverage ratio (see section 7.1.2).

8. To market and communicate its activities in Northern Ontario.

   - This was achieved to date in 2014-15 by NOHFC with the assistance of MNDM's Communication Services Branch through ongoing marketing and communication activities outlined in Section 9 of the Business Plan, as well as NOHFC and MNDM's outreach initiatives.

9. To comply with the terms of its Memorandum of Understanding (MOU) with Her Majesty the Queen in Right of Ontario as represented by the Minister of Northern Development and Mines.

   - Compliance with the MOU will continue to be achieved through the continuous review of the MOU by the NOHFC Board of Directors and a cooperative working relationship with the Ministry of Northern Development and Mines to ensure continued understanding of the expectations and early identification of issues to ensure timely resolution. The new MOU was signed by the NOHFC Board of Directors and the Minister in August of 2013.

10. To seek further efficiencies and technologies to manage NOHFC's activities.

    - This is an ongoing initiative that will be achieved through further IT platform enhancements, implementation of a financial management system and ongoing continuous quality improvement activities.

- Additional resources were provided on a permanent basis by the Ministry to help accommodate application intake and financial responsibilities.

11. To endeavour maintaining a client satisfaction rate of at least 90%.

- NOHFC will continue to undertake client satisfaction surveys. Results of the surveys will assist the NOHFC in its ongoing customer service quality improvement activities.

12. The NOHFC will continue with its implementation of the Corporation's Strategic Plan outlined in Section 2 of this Business Plan. In this regard, 2014-15 included the following activities relative to NOHFC's five Strategic Priorities. These activities will continue in 2015-16:

(i) Innovation, Research and Development, and Commercialization:
- Continue to promote NOHFC's Programs and work with the private and public sectors to advance priority projects.

(ii) Creativity and Entrepreneurial Development:
- Continue to promote NOHFC's private sector programs and work with educational institutions and industry to promote entrepreneurial development when opportunities present themselves.
- Identify and pursue partnerships with other organizations that already exist in the North with common creativity and entrepreneurial development goals and objectives.

(iii) Partnerships and Collaboration:
- Seek opportunities to further engage First Nation communities in economic development discussions to increase awareness of NOHFC programs and services.

(iv) Organization Development and Renewal:
- Further develop the Corporation's information technology capabilities, enhance NOHFC's FUNDS database and implement a new financial system.
- Establish the NOHFC Governance Committee as a standing committee of the Board with an enhanced governance role.

(v) Awareness and Recognition:
- Introduce and maintain FAQ's, program policy and enhanced client communication tools on NOHFC's website, and develop and implement a new marketing strategy for the NOHFC.
- NOHFC will develop a refreshed annual report and undertake a market segmentation survey.

4.2 Resources Needed

The following table outlines the resources needed to continue to support the above noted objectives of the NOHFC.

Northern Ontario Heritage Fund Corporation
Schedule of Projected Administration Expenses

	2012/13 Fiscal Actual	2013/14 Fiscal Actual	2014/15 Fiscal FCST	2015/16 Fiscal Budget	2016/17 Fiscal Budget	2017/18 Fiscal Budget
Salaries and Wages	$1,571,629	$1,479,966	$1,622,825	$1,720,864	$1,754,982	$1,789,781
Employee benefits	204,977	207,947	243,406	272,938	278,397	283,965
Transportation & Communication	181,276	371,571	325,000	331,500	338,130	344,893
Services	3,928,138	3,973,640	6,452,539	6,321,665	6,446,333	6,573,415
Supplies & equipment	47,389	60,082	68,340	69,707	71,101	72,523
Amortization	3,720	3,721	3,721	3,721	3,722	3,722
Sub- Total	$5,937,128	$6,096,927	$8,715,831	$8,720,395	$8,892,665	$9,068,298
Additional One-Time Expenses:						
Financial Information System	243,614	21,711	-	-	-	-
Growth Plan - MTO Transportation Study	265,650	72,122	300,000	775,000	787,228	-
Net Corporation Administration Costs	$6,446,392	$6,190,759	$9,015,831	$9,495,395	$9,679,893	$9,068,298

5. RISK ASSESSMENT AND MANAGEMENT ISSUES AND STRATEGIES

All businesses and government agencies face the risk of being unable to adapt adequately to unforeseen issues. NOHFC's risk is significantly reduced because many of these unforeseen issues are identified as part of the annual environmental scanning undertaken by MNDM.

Risk Category	Risk Classification	Risk Description	Likelihood	Impact	Financial Impact	Overall Risk Assessment	Mitigation Strategy
Strategic	Continuous Improvement	NOHFC utilizes informal information sources, program reviews and consultation efforts to ensure programs meeting changing business needs and external factors.	Low	Low	Medium	Low	NOHFC will continue with client survey and complaints management system
	Meeting Stakeholder Expectations	NOHFC introduced a new suite of programs that reflect the policies of the Northern Ontario Growth Plan NOHFC is anticipating, from a subset of its client group, resistance to the proposed program changes; others that are eligible under the 2005 Mandate will no	Medium	Medium	Low - Medium	Medium	NOHFC will undertake a client survey to identify any issues or concerns. The results of the survey will be utilized to develop remedial action plans.

		longer be eligible.					
Accountability/ Governance	**Internal governance and development of Board**	**Board governance development plan**	**Low**	**Low**	**Low**	**Low**	**A Governance committee has been established by the Board. The committee will address the following:** **- establish a terms of reference for the governance coach** **- review by-laws and policies** **- agenda management** **- Board education strategy** **- continuous improvement** **- measurement and monitoring.**

	Alignment with MOU, Service Level Agreements, etc.	**Service Level Agreements with MNDM partners including Regional Economic Development Branch, Legal Services Branch, Communications Services Branch, Controllership Office**	**Medium**	**Medium**	**Medium**	**Medium**	**Work with MNDM to develop and implement service level agreement(s) with key program delivery partners.**

Operational	**Service effectiveness, supply, threats**	**NOHFC's ability to meet it published service standards**	**Medium**	**High**	**Low**	**Medium**	**NOHFC and MNDM continuously review NOHFC processes for effectiveness and efficiencies and establish new service standards and targets to coincide with the launch of new programming.**
	Service Demand	**Demand for NOHFC funding is unknown with the launch of the new programs.**	**Medium**	**Medium**	**High**	**Medium**	**Continue to monitor as in the past and be prepared to review and implement required changes.**

6. ASSESSMENT OF ISSUES FACING THE NOHFC

6.1 Northern Ontario Context

Northern Ontario is a key part of one of the world's leading economies. It has large areas of wealth and prosperity. Its economy is diversifying and becoming less reliant on traditional resource industries. Its people are entrepreneurial, skilled and knowledgeable. Its businesses and entrepreneurs are innovative and ready for new challenges. The process of creating a new, globally competitive region is already well underway. (Source: Growth Plan for Northern Ontario, 2011).

6.2 Northern Ontario Overview

The Ministry of Finance has projected that Northern Ontario will see a slight increase in population over the next fifteen years, after which the population will start to decrease due to an aging population and continuous out-migration. Currently, Northern Ontario represents 6% of Ontario's total population. By 2036, it may only represent 4.6% as southern Ontario is expected to grow by almost 3.9 million during that time period.

Since 1986, the population of Ontario has gradually increased from approximately 9.4 million to over 13.5 million in 2013. Northern Ontario's population peaked at approximately 859,000 in 1993. However, by 2013 the population was estimated at 803,320. Between 2009 and 2013, the population of Northern Ontario decreased by 0.8%. (Source: Statistics Canada, Annual Demographic Statistics).

Many northern communities remain reliant on primary industry sectors such as mining and forestry. These sectors accounted for close to 5.8% of the North's total employment in 2013 (down from 6.2% in 2012), compared to only 0.6% for the Province. Northern Ontario also has more reliance on public sector employment (including public administration, education and health care sectors), accounting for 30.8% of the North's total employment in 2013 (down from 32.2% in 2012), compared to 24.4% for the Province.

6.3 Current Economy

Ontario's economy continues to grow at a moderate pace in a challenging global economic environment. Stronger growth in the United States, Ontario's largest trading partner, and the decline in the value of the Canadian dollar will help boost Ontario exports and encourage stronger business investment. Ontario continues to take measures to strengthen the economy and support jobs by strategically investing in globally competitive sectors.

Northern Ontario is not immune to issues that are the result of the last recession. Northern Ontario's economy declined at more than twice the pace of Ontario's economy during this period. Consequently, northern businesses may still encounter difficulty accessing credit from traditional lending institutions. The NOHFC remains a critical link / funding agency in mitigating the associated risk of these economic conditions.

In 2013, the Growth Domestic Product (GDP) for Northern Ontario had improved by over 12 percentage points after reaching a low in 2009. The Conference Board of Canada stated that Northern Ontario has the largest GDP of all Canada's northern regions. Over the past decade, Northern Ontario has accounted for an average of 5.7% of Ontario's GDP. *Source: Conference Board of Canada, Estimating Economic Activity in Canada's Northern Regions.*

The state of the current economy has had a significant impact on the fiscal position of the Province of Ontario. The Ontario deficit for 2013-14 is now estimated at $10.5 billion and Ontario is expected to remain in a deficit position until 2017-18. (Source: Public Accounts of Ontario 2013-14)

Ontario's economy expanded modestly in 2013 with a real GDP growth of 1.3 per cent, made by solid gains in consumer spending and net trade. Continued, steady growth is expected for Ontario's economy, with GDP anticipated to increase by 1.9 per cent for 2014. Forecasted growth in Ontario's real GDP is expected to double from 1.3 per cent in 2013 to 2.6 per cent by 2017. (Source: Ministry of Finance)

6.4 Government Priorities

Lens: Growth Plan for Northern Ontario

- The *Growth Plan for Northern Ontario, 2011* provides a 25-year policy framework to guide provincial decision-making and investment. The Growth Plan focuses on priority economic sectors and outlines the vision for Northern Ontario for 2036:
    - Skilled, educated, healthy and prosperous population.
    - Supported by world class resources, leading edge technology and modern infrastructure.
    - Job creation, investment attraction and access to global markets.
    - Communities offer dynamic and welcoming environments that are attractive to newcomers.
    - Municipalities, Aboriginal communities, governments and industry work together to achieve shared economic, environmental, and community goals.
- The Growth Plan establishes 11 existing and emerging priority economic sectors. Within these sectors, significant potential and opportunities have been identified for the North, and actions within these sectors should prompt economic gains.
- In 2013, NOHFC programming was redesigned to better align with the Growth Plan. The five new NOHFC programs are aligned with the business sectors that have high growth potential as identified in the Growth Plan.
- The Province, through the Growth Plan has committed to collaborate with key stakeholders, such as the federal government, business, municipal, and education sectors, and Aboriginal communities on economic development strategies for existing and emerging priority economic sectors.
- The Growth Plan has launched a number of initiatives, including the Northern Policy Institute (NPI) and the Northern Ontario Multi-modal Transportation Strategy (NOMTS), which has been made possible as a result of more than a $7 million contribution from the NOHFC. The NPI will provide a northern perspective, grounded in quality research, to serve as a guide for public policy development to help inform decisions of government, municipalities, communities, First Nations,

businesses and industries. NOMTS — led by the Ministry of Transportation — will form the blueprint for a modern, sustainable transportation system in Northern Ontario.

Lens: Government Priorities – A 10-Year Plan for the Economy

- The 2014 Ontario Budget laid out a 10-year plan for a strong Ontario, with more jobs, more opportunities and a more secure future. The plan will create jobs and grow the economy by investing in people, building modern infrastructure, and supporting a dynamic and innovative business climate. The 10-year plan for the economy will stimulate the economy; create jobs, and increase prosperity and fairness for all people in Ontario.
- The 10-year Economic Plan will:
    - Invest in People: *by developing the economy of tomorrow by investing in people today and giving Ontarians the support they need to get the right skills and the right jobs. This will give all Ontarians the opportunity to have good, high-paying jobs and contribute to the prosperity of the province.*
    - Build Modern Infrastructure: *by investing in infrastructure through Ontario's 10-year economic plan will continue to help stimulate the economy, create jobs, and increase prosperity and fairness to Ontarians.*
    - Create a Dynamic and Innovative Business Climate: *by continuing to compete for sector investments that create well-paying jobs, leading the way in Foreign Direct Investment and private-sector prosperity. In fostering a culture of innovation and entrepreneurship, while building partnerships abroad, Ontario businesses will thrive in the international market for years to come.*
    - A Fair Society: *by creating the conditions for all Ontarians, regardless of their economy status or background, should have an equal opportunity to reach their full potential and contribute to the prosperity of the Province.*
- In August 2014, the Province launched the new Ontario Community Infrastructure Fund (OCIF), which is providing an investment of more than $130 billion in public infrastructure over the next ten years. The $100-million per year fund supports the revitalization and repairs of roads, bridges and other critical infrastructure in small, rural and northern communities. The Fund includes $50 million per year in application-based funding and another $50 million in formula-based funding.
- The Small Communities Fund (SCF) was also announced in August 2014. The SCF, which is matched by the Federal government as part of their Building Canada Fund, provides $272 million to support projects with populations less than 100,000.
- The budget also laid out plans to create a new $2.5 billion Jobs and Prosperity Fund. The 10-year fund will help Ontario attract foreign investment in new and growing sectors. The fund will concentrate investments in job-creating innovation, productivity and exports, creating partnerships with business and leveraging Ontario's key sectors.
- The *Better Business Climate Act*, introduced in 2014, will help create jobs and drive innovation by supporting the creation of cluster development plans. The government, in consultation with business, education, labour and non-profit sectors, will identify cluster opportunities that focus on regional competitive strengths. Clusters, which are concentrations of interconnected sectors, companies and

institutions, would help to attract investment and talent in key sectors across Ontario, raising capacity for innovation, global competitiveness, and business attraction.

6.5 Future Economy

Northern Ontario's primary industries, forestry and mining, are the foundation of the northern economy. The Growth Plan identified eleven existing and emerging priority economic strategic sectors.

- Advanced manufacturing
- Agriculture, aquaculture and food processing
- Arts, culture and creative industries
- Digital economy
- Forestry and value-added forestry-related industries
- Health sciences
- Minerals sector and mining supply and services
- Renewable energy and services
- Tourism
- Transportation, aviation and aerospace
- Water technologies and services

In addition to supporting growth opportunities in these industries, added focus on innovation and research and development will drive the transformation of Northern Ontario's traditional mining and forestry industries and open new opportunities. The Ontario North Economic Development Corporation (ONEDC) is a partnership between the five largest cities in the North and is also a strategic partner with MNDM. ONEDC is promoting certain sectors which are emerging out of certain communities, for example, Life Sciences in Thunder Bay, Digital Gaming in Sault Ste. Marie, and Aerospace in North Bay.

Ring of Fire

Ontario's far north is home to one of the most exciting exploration opportunities in Canada at the Ring of Fire, which has the potential to be one of the most significant mineral developments in Ontario in more than a century. The Ring of Fire area, rich in chromite, nickel, gold and other deposits, will create enormous business and growth opportunities for the province's mining and supporting industries.

This development will be a significant economic driver for all of Northern Ontario with specific impact on First Nations, infrastructure requirements, transportation needs, job creation and value added manufacturing. The mine developments currently under consideration in the Ring of Fire are expected to create more than 1,500 permanent jobs, once the mines are in full production and many additional jobs will be created in the mining supply and service sector.

The Province has established a Ring of Fire (ROF) Infrastructure Development Corporation, which will work to bring First Nations and the public and private sectors together to create partnerships and facilitate investment decisions in strategic transportation infrastructure.

Given the early stages of development it is not known what, if any, impact the Ring of Fire development will have on the NOHFC.

Mines and Minerals Sector

The mining supply and services sector is anticipated to continue to grow with the Ring of Fire development and the opening of new mines.

Metal prices are a significant determinant in the amount of mineral exploration activity in Ontario. Slower global economic growth has weakened demand and contributed to lower metal prices. Both precious and base metal prices are down this year and exploration spending is down along with it. Exploration and deposit appraisal expenditures decreased from $932 million in 2012 to $600 million in 2013. Spending intentions for 2014 show a possible further decrease to $528 million. However, Ontario continues to lead all Canadian provinces and territories in exploration and deposit appraisal expenditures. Long term metal prices are good and should help the industry recover from the current slump.

The value of mineral production reached $9.8 billion in 2013 and should remain close to that level as increased gold production should offset lower prices and base metal production is likely to remain stable.

Investment in Ontario mines reached record levels in 2012 at $3.1 billion. Investment declined to $1.8 billion in 2013; however, this still represents a significant investment by historical standards. Early estimates for mining investment in 2014 indicate a further decline of 11% to $1.6 billion.

Mine expansion programs are underway at Goldcorp's Porcupine and Red Lake mines as well as Vale's Creighton mine in Sudbury that will increase production, extend mine life and create new jobs. Vale's key project in Sudbury is the $1 billion Atmospheric Emissions Reduction project of upgrading mining and processing facilities that will reduce sulphur dioxide emissions in the Sudbury area by 85% by 2016.
More than 10 new mines have opened since 2010 and it is expected that three more will open by 2016. There are currently more than 35 advanced exploration mineral projects across the province. An estimated 500 mining service and supply companies are located in Northern Ontario.

Gold, magmatic, copper-nickel-platinum-palladium, copper-zinc-silver volcanogenic massive sulphide (VMS) mineralization and diamonds are still the primary focus of the exploration industry in Ontario.

Exploration spending has declined since the record level of $1 billion in 2011 but those record levels of exploration spending created a pipeline of projects. Three of the larger mine construction projects underway in Northeastern Ontario include (Goldcorp – Hollinger, Glencore - Errington\Vermillion, KGHM – Victoria) and two new mines (Rubicon Minerals – Phoenix Gold, Goldcorp – Cochenour) are expected to open in Northwestern Ontario in 2015.

Electricity costs are higher for mines in Northern Ontario than in neighbouring provinces and the Northern Industrial Electricity Rate (NIER) Program provides electricity price rebates for large northern industrial users including eight mining companies that reduce their electricity cost by about 25%. The program was renewed in the spring of 2013 for three more years.

Forestry

In 2012, the value of Ontario's forestry sector was almost $11.9 billion. Northern Ontario is home to six operating pulp and paper mills and 19 of the largest 25 operating mills.

Northern Ontario accounts for all of the province's annual market pulp production of approximately 1.2 million tonnes. Approximately 75 per cent of Ontario's newsprint production (800,000 tonnes) is in the north.

Total employment in the forest sector in Northern Ontario has decreased by over 19,500 from 28,100 in 2003 to 8,600 in 2013, a decrease of approximately 69 per cent. The biggest loss came from the Wood Product Manufacturing sector, where by 2013, accounted for half of the lost employment since 2003.

The total annual harvest for the forestry product sector in 2013 was approximately 12.4 million cubic meters (m^3), a slight decrease of 200,000 from 2012.

Agriculture

Northern Ontario is home to a $192 million agriculture sector, with close to 2,600 farms (5 per cent of the provincial total), employing an estimated 6,200 people. Dairy and beef industries account for more than 50 per cent of total cash receipts and 35 per cent of farms in the region.

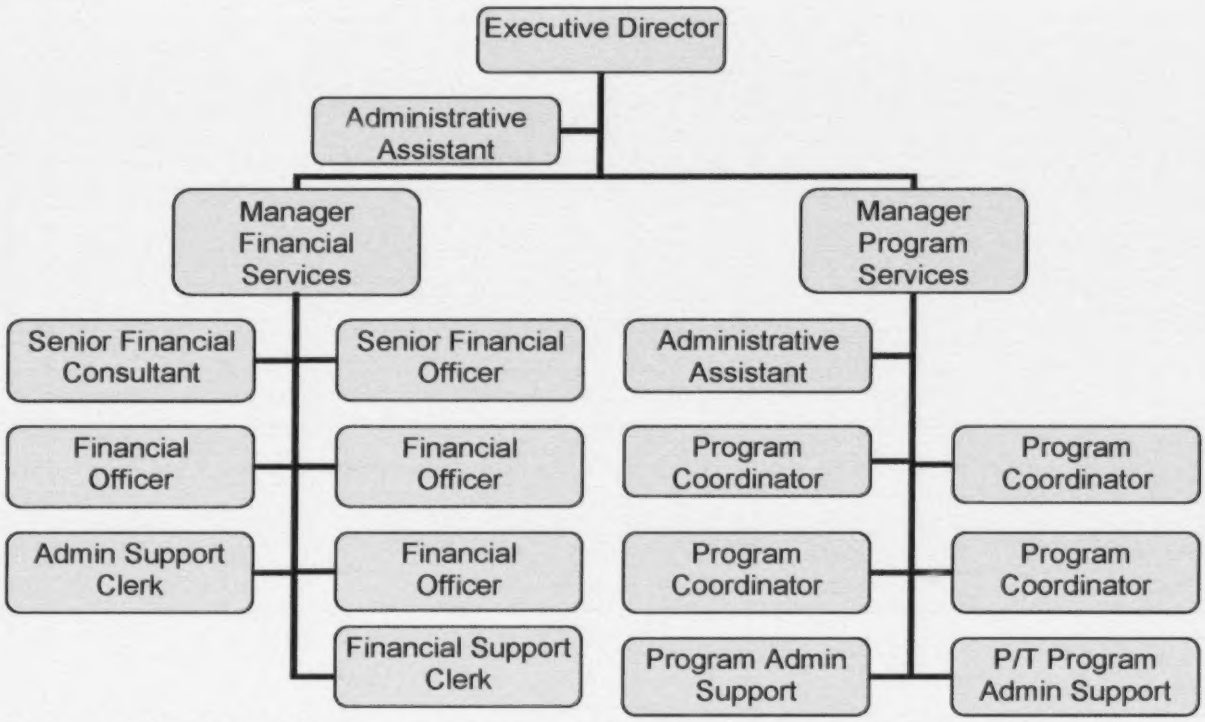
Eighty per cent of Ontario's farmed trout (cage aquaculture), with an estimated value of $16 million, is produced in Northern Ontario.

Bio Economy

Many companies internationally are researching, developing and implementing technologies and processes to use or manufacture products from renewable resources (e.g. agriculture, forestry, municipal waste, etc.). Given the extensive Crown forested land base in Northern Ontario, there are investment opportunities for these companies.

As of 2010, biofuels and biochemicals constituted a 3% share of the total global chemical and fuels market and this is expected to reach 17% by 2025. In addition to this growth, there will be growing demand for non-fuel products such as consumer goods and components, chemicals, pharmaceuticals, and food supplements and replacements.

7. SUMMARY OF STAFF NUMBERS; IMPACT OF BUSINESS PLAN ON HUMAN RESOURCES; COMPENSATION STRATEGY



*Three staff that report to Communications Services Branch are assigned to NOHFC Activity.
*Four and a half staff that report to Legal are assigned to NOHFC Activity.

The Executive Director and staff that support the NOHFC are Ministry employees. All policies and labour agreements applicable to the OPS apply to NOHFC staff and management.

It is important to note that the NOHFC receives significant and valuable services from MNDM REDB, MNDM Legal, MNDM Communications, MNDM Business Planning, MNDM Strategic Development Branch, LRC Business Solutions Services, MGS (HR & IT) and a third party due diligence provider to assist the Corporation in meeting its Vision and Mission as outlined in the Corporation's Strategic Plan. In addition, the NOHFC has and continues to identify and implement efficiencies in processes and technology to manage its activities in order to meet its Vision and Mission. Following the implementation of further project management system enhancements, process enhancements, and the introduction of a new financial information system, the impact of proposed efficiencies of the Corporation's resources will be monitored and assessed. This efficiency assessment will also take into consideration the impact of introducing the Corporation's new programs and subsequent activity driven by this new initiative.

NOHFC and MNDM Regional Economic Development Branch have developed a

collaboration agreement and more recently the Ministry is assessing REDB's level of service to institute service fees to the NOHFC that would commence in 2014-15.

NOHFC is working with the MNDM Communications Director to develop a service level agreement that will outline services to be provided by MNDM. Pending the outcome of those discussions additional services may need to be obtained from other sources to deliver on NOHFC marketing needs.

8. PERFORMANCE MEASURES INCLUDING RESULTS ACHIEVED TO DATE

The NOHFC reports on the following performance measures.

8.1 Key External

8.1.1Number of Full Time Jobs Being Created/Retained

Year	Target	Actual (YTD)
2007-08	750	2,691
2008-09	750	2,513
2009-10	3,000	2,413
2010-11	3,500	3,378
2011-12	3,500	3,059
2012-13	3,500	3,455
2013-14	3,500	3,771

- NOHFC job creation targets were increased in 2010-11 to ensure alignment with past performance and increases in annual provincial funding to the NOHFC.
- As of the end of fiscal 2013-14 the NOHFC has helped create or retain 3,771 jobs.
- NOHFC funding is expected to create or retain 3,500 full time jobs in 2014-15.

NOHFC has worked with the Ministry of Finance to develop a methodology for counting jobs created through NOHFC infrastructure investments with the use of Statistics Canada multipliers.

- Please note, NOHFC job creation targets have increased from 750 to 3,500 jobs per year to align with historical performance and increases to its annual budget. These increases as a proxy for future targets, assumed that NOHFC job creation performance was correlated with its annual budget which is an inaccurate correlation. A more appropriate correlation is the in-year approvals however these cannot be predetermined. NOHFC job creation performance is reliant upon applicants bringing forward project proposals that create jobs. NOHFC is reliant upon these applicants bringing forward an adequate number of eligible projects with sufficient new job creation to meet its target which may or may not happen in any given year.

8.1.2 NOHFC Investment Dollars Leveraged From Other Partners

Year	Target	Actual
2007-08	2:1	3.2:1
2008-09	2:1	3.62:1
2009-10	3:1	3.07:1
2010-2011	3:1	3.72:1
2011-2012	3:1	3.15:1

2012-2013	3:1	5.05:1
2013-2014	3:1	3.46:1

- The target ratio of NOHFC investment dollars leveraged from other partners is 3:1.
- It should be noted that NOHFC programs generally only require a 1:1 ratio as funding is generally limited to 50% of eligible project costs.

8.2 Non-Key

8.2.1 Number of First Nation Projects Approved

Year	Target	Actual
2009-10	13	21
2010-11	14	28
2011-12	16	16
2012-13	18	39
2013-14	20	19

- The target number of First Nation (self-identified) project approvals (excluding internship & co-op and private sector approvals) was expected to be 13 in 2009-10 and then increase by 10% annually.
- The NOHFC approved funding toward 19 First Nation projects in 2013-14.

8.2.2 Client Satisfaction

Year	Target	Actual
2011-12	90%	85%
2012-13	90%	85%
2013-14	90%	85%

- This target would measure the satisfaction of NOHFC clients with the service they received including measures of staff effectiveness and timeliness of service.
- This performance measure will provide the NOHFC with feedback from clients to assist in its continuous improvement efforts.
- 85% refers to clients who are either satisfied (27%) or very satisfied (58%).
- 15% of NOHFC clients were either dissatisfied (7%) or very dissatisfied (8%).

9. FINANCIAL BUDGET OVER THREE YEAR LIFE OF BUSINESS PLAN

The following table includes a forecast of NOHFC revenues and expenses projected from 2014/15 thru 2017/18.

Northern Ontario Heritage Fund Corporation
Projected Expenditure Allocation 2015/16 to 2017/18

	2012/13 (000's) (actual)	2013/14 (000's) (actual)	2014/15 (000's) (FCST)	2015/16 (000's)	2016/17 (000's)	2017/18 (000's)
				projected		
Revenue						
Province of Ontario Grant	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Interest on cash and cash equivalents	2,385	2,502	2,447	2,523	2,609	2,705
Interest on loans receivable	2,788	2,873	2,500	2,175	2,312	2,435
Other	714	301	-	-	-	-
Total Revenue	105,887	105,676	104,947	104,698	104,921	105,140
Expenses						
Grants	75,649	69,751	79,521	80,549	80,059	80,542
Credit losses	11,792	11,367	11,500	9,280	9,864	10,390
Administration - see schedule	6,446	6,191	9,016	9,495	9,680	9,068
Total expenses	93,887	87,309	100,037	99,324	99,603	100,000
Excess Revenue over Expenses (Expenses over Revenues)	**$12,000**	**$18,367**	**$4,910**	**$5,373**	**$5,318**	**$5,140**

Key Assumptions to Financials

- NOHFC funding will remain at $100 million in the forecast period.
- Administrative costs are based on the approved budget for 2014/15 with adjustments for known variances and inflationary factors and additional internal service provider costs.

The following assumptions and information should be noted with respect to NOHFC's loan portfolio and its impact on projected revenues and expenses:

Selected Loan Information

At June 30, 2014

Approved Loans	$166,401,134
Balance of Loans Outstanding (including disbursements, repayments and accrued interest)	$108,047,113
Allowance for Credit Losses	$43,002,623

- Loan principal payments will be approximately 10% annually of the opening balance of total loans outstanding.
- Interest on loans will average 2.75% to 5.00%.
- Interest on cash deposits will average 1.0% to 1.2%.
- The overall portfolio risk is rated high as applicants of the NOHFC apply for provincial support to address gaps not met through commercial lending. Risk is mitigated through:
  - monthly monitoring of loan performance;
  - annual credit reviews;
  - NOHFC works with the client to ensure sustainability of operations;
  - use of documented collection policy; and,
  - progressive collection process and recovery plans.

10. INITIATIVES INVOLVING THIRD PARTIES

10.1 Partnerships

The NOHFC, through its respective programs, partners with communities, First Nations, businesses, not- for -profit organizations and entrepreneurs across Northern Ontario will create jobs and strengthen the economy. In addition, the NOHFC partners with a multiplicity of other provincial ministries and federal agencies.

10.2 Contracting Out

The NOHFC has a contract with a third party service provider to provide due diligence and loan monitoring for private sector projects. The current contract is in effect until March 31, 2016. Effective delivery will be achieved through contract management by NOHFC management. NOHFC will include MAG legal services to achieve a desirable outcome. During the 2015-16 fiscal year, the NOHFC will be reviewing its options for due diligence, project administration and monitoring and may undertake a Request For Proposal for external services depending upon the review recommendations and direction from the NOHFC Board.

10.3 Internal

The NOHFC requires services from MNDM, MAG, MGS and LRC on a continual and uninterrupted basis in order to successfully carry on the Corporation's activities.

10.4 External Customers

NOHFC's external customers include any and all northern stakeholders in the public and/or private sector who potentially could utilize NOHFC programming.

11. COMMUNICATION PLAN

Objectives

- Raise awareness of the revised NOHFC programs.
- Reinforce government as committed to driving economic prosperity in the North by redesigning NOHFC programs to align more closely with government priorities, including implementing the Growth Plan.
- Continue to communicate NOHFC's program changes as a revision aimed at supporting new and emerging economic opportunities as identified in the Growth Plan and a net benefit to Northern Ontario's economy.
- Encourage successful take-up of revised NOHFC programs by qualified applicants.

Target Audience(s)

- Municipalities, industry and business associations, economic development officers and organizations, non-governmental organizations, Economic Development Centres, public/private sector employers with internship opportunities, existing and potential business owners, Aboriginal and Francophone communities, private sector enterprises that could locate in/expand to Northern Ontario from elsewhere.
- The NOHFC leverages private sector investment and creates jobs in the communities of approved projects.

Key Messages

- The NOHFC has been a key driver of economic prosperity in the North for more than 25 years and will continue to help the northern economy grow, create jobs and help all northerners succeed.
- The revised programs will help stimulate innovation, strategic economic infrastructure, community capacity building, entrepreneurship and business development in the North.
- The NOHFC programs will help create and retain jobs by focusing investment on emerging and priority sectors identified in the Growth Plan for Northern Ontario.